SENATE/HOUSE FILE \_\_\_\_\_\_OF BY (PROPOSED DEPARTMENT OF INSPECTIONS AND APPEALS AND DEPARTMENT OF PUBLIC SAFETY BILL)

Passed	Senate,	Date	Passed	House,	Date	
Vote:	Ayes	Nays	Vote:	Ayes	Nays	
	- Ai	oproved				-

## A BILL FOR

- 1 An Act concerning electrical and mechanical amusement devices and 2 providing penalties.
- 3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
- 4 TLSB 1347XD 82
- 5 ec/es/88

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1 Section 1. Section 99B.1, subsections 12, 18, 19, and 23, 2 Code 2007, are amended to read as follows:
         12. "Distributor" means, for the purposes of sections
   4 99B.10, 99B.10A, and 99B.10B, any person that owns electrical
   5 and mechanical amusement devices registered as provided in
   6 section 99B.10, subsection 4 1, paragraph "e", that are
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     offered for use at more than a single location or premises.
1 8 18. "Manufacturer" means, for the purposes of sections
1 9 99B.10, 99B.10A, and 99B.10B, any person engaged in business
1 10 in this state who originally produces an electrical and
  11 mechanical amusement device required to be registered under
1 12 section 99B.10, subsection 4 1, paragraph "e", or individual
1 13 components for use in such a device.
         19. "Manufacturer's representative" means, for the
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1 15 purposes of sections 99B.10, 99B.10A, and 99B.10B, any person 1 16 engaged in business in this state who promotes or sells
1 17 electrical and mechanical amusement devices required to be
1 18 registered under section 99B.10, subsection 4 1, paragraph
  19 "e", or individual components for use in such devices on
1 20 behalf of a manufacturer of such devices or components.
         23. "Owner" means, for the purposes of sections 99B.10A
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1 22 and 99B.10B, any person who owns an operable electrical and
1 23 mechanical amusement device required to be registered under
1 24 section 99B.10, subsection 4 1, paragraph "e".
1 25 Sec. 2. Section 99B.10, Code 2007, is amended to read as
1 26 follows:
1 27
         99B.10 ELECTRICAL AND MECHANICAL AMUSEMENT DEVICES ==
     PENALTIES.
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         1. It is lawful to own, possess, and offer for use by any
1 30 person at any location an electrical or mechanical amusement
1 31 device and the use of the electrical or mechanical amusement
     device shall not be deemed gambling, but only if all of the
  33 following are complied with:
         1. a. A prize of merchandise exceeding five dollars in
  35 value or cash shall not be awarded for use of the device.
   1 However, a mechanical or amusement device may be designed or
   2 adapted to award a prize or one or more free games or portions
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   3 of games without payment of additional consideration by the
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   4 participant.
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         2. b. An amusement device shall not be designed or adapted
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   6 to cause or to enable a person to cause the release of free
   7 games or portions of games when designated as a potential 8 award for use of the device, and shall not contain any meter
   9 or other measurement device for recording the number of free
  10 games or portions of games which are awarded.
2 11 3. c. An amusement device shall not be designed or adapted 2 12 to enable a person using the device to increase the chances of
2 13 winning free games or portions of games by paying more than is
  14 ordinarily required to play the game.
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An amusement device required to be registered as

16 provided in paragraph "e", shall not be placed into operation 17 without first obtaining a new amusement device registration

18 tag if electronic or mechanical components have been adapted, 19 altered, or replaced and such adaptation, alteration, or 20 replacement changes the operational characteristics of the 21 amusement device, including but not limited to the game being 22 changed. 2 23 <del>4.</del> e. (1) Each electrical and mechanical amusement device 2 24 in operation or distributed in this state that awards a prize, 25 as provided in this section, where the outcome is not 2 26 primarily determined by the skill or knowledge of the

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27 operator, is registered by the department as provided by this 2 28 subsection <u>lettered paragraph</u> and is only located on premises 2 29 for which a class "A", class "B", class "C", or class "D" 2 30 liquor control license or class "B" or class "C" beer permit 31 has been issued pursuant to chapter 123. For an organization 32 that meets the requirements of section 99B.7, subsection 1, 33 paragraph "m", no more than four, and for all other persons, 34 no more than two electrical and mechanical amusement devices 35 registered as provided by this subsection lettered paragraph 1 shall be permitted or offered for use in any single location 2 or premises for which a class "A", class "B", class "C", or 3 class "D" liquor control license or class "B" or class "C" 4 beer permit has been issued pursuant to chapter 123. (2) Each person owning an electrical and mechanical

6 amusement device in this state shall obtain a registration tag 7 for each electrical and mechanical amusement device owned that 8 is required to be registered as provided in this  $\frac{\text{subsection}}{\text{subsection}}$ 9 <u>lettered paragraph</u>. Upon receipt <u>and approval</u> of an 10 application and a fee of twenty=five dollars for each device 3 11 required to be registered, the department shall issue an 3 12 annual registration tag which tag shall be displayed as 13 required by rules adopted by the department. The application 14 shall be submitted on forms designated by the department and 3 15 contain the information required by rule of the department. A 3 16 registration may be renewed annually upon submission of a 3 17 registration application and payment of the annual 3 18 registration fee and compliance with this chapter and the 3 19 rules adopted pursuant to this chapter. However, the

3 20 <u>(3) The</u> number of electrical and mechanical amusement 3 21 devices registered by the department under this subsection 3 22 <u>lettered paragraph</u> shall not exceed the total number of 23 devices registered by the department as of April 28, 2004. 3 24 addition, the department shall not initially register an 3 25 electrical and mechanical amusement device that is required to 3 26 be registered as provided in this subsection <u>lettered</u> <u>27 paragraph</u> to an owner for a location for which only a class 28 "B" or class "C" beer permit has been issued pursuant to 3 29 chapter 123 on or after April 28, 2004.

(4) A person owning or leasing an electrical and 3 31 mechanical amusement device required to be registered under 32 this <u>subsection</u> <u>lettered paragraph</u> shall only own or lease an 33 electrical and mechanical amusement device that is required to 34 be registered that has been purchased from a manufacturer, 3 35 manufacturer's representative, or distributor registered with 1 the department under section 99B.10A and shall not advertise 2 or promote the availability of the device to the public as 3 anything other than an electrical and mechanical amusement 4 device pursuant to rules adopted by the department. 5 addition, an

An owner at a location for which only a class "B" or 6 <u>(5) An</u> owner at a location for which only a class "B" or 7 class "C" beer permit has been issued pursuant to chapter 123 8 shall not relocate an amusement device registered as provided 4 9 in this subsection <u>lettered paragraph</u> to a location other than 4 10 the location of the device on April 28, 2004, and shall not 4 11 transfer, assign, sell, or lease an amusement device 4 12 registered as provided in this <del>subsection</del> <u>lettered paragraph</u> 4 13 to another person for which only a class "B" or class "C" beer 4 14 permit has been issued pursuant to chapter 123 after April 28, 4 15 2004.

- 4 16 A person owning or leasing an electrical and mechanical amusement device required to be registered under paragraph <u>"e", shall display the registration tag as required by rules</u>
- 4 19 adopted by the department.
  4 20 g. A person owning or leasing an electrical and mechanical amusement device required to be registered under paragraph "e" shall not allow the electrical and mechanical amusement device to be operated or made available for operation with an expired 24 registration.
- h. A person owning or leasing an electrical and mechanical amusement device required to be registered under paragraph 27 "e", or and an employee of a person owning or leasing an 28 electrical and mechanical amusement device required to be

registered under paragraph "e", shall not advertise or promote 30 the availability of the device to the public as anything other than an electrical and mechanical amusement device pursuant to rules adopted by the department.

i. A person owning or leasing an electrical and mechanical <u>34 amusement device required to be registered under paragraph "e"</u> 35 shall not relocate and place into operation an amusement 1 device in any location other than the location at which the amusement device is registered.

3 5. j. Any awards given for use of an amusement device 4 shall only be redeemed on the premises where the device is 5 located and only for merchandise sold in the normal course of

6 business for the premises.

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7 6. k. Each electrical or mechanical amusement device 8 required to be registered as provided by this section shallby January 1, 2006, include on the device a counting mechanism 5 10 which establishes the volume of business of the device. The 5 11 department and the department of public safety shall have 5 12 access to the information provided by the counting mechanism.

5 13  $7. \ \underline{1.}$  Each electrical or mechanical amusement device 5 14 required to be registered as provided by this section at a 5 15 location for which only a class "B" or class "C" beer permit 5 16 has been issued pursuant to chapter 123 shall include on the 5 17 device a security mechanism which prevents the device from 5 18 being operated by a person until action is taken by the owner 5 19 or owner's designee to allow the person to operate the device. 5 20

8. m. An electrical or mechanical amusement device 21 required to be registered as provided in this section shall 5 22 not be a gambling device, as defined in section 725.9, or a 5 23 device that plays poker, blackjack, or keno.

5 24  $\frac{9}{1}$  Any other requirements as determined by the 5 25 department by rule. Rules adopted pursuant to this subsection 26 <u>lettered paragraph</u> shall be formulated in consultation with affected state agencies and industry and consumer groups.

2. A person who violates any provision of subsection

paragraph "a", commits a serious misdemeanor.

3. A person who violates any provision of subsection 1, 5 30 paragraph "d", "f", "g", "h", "i", "j", or "l", shall be subject to the following:

5 33 a. For a first offense under an applicable paragraph, the person commits a simple misdemeanor, punishable as a scheduled violation pursuant to section 805.8C, subsection 4, paragraph

For a second or subsequent offense under the same applicable paragraph, the person commits a serious 4 misdemeanor.

4. It Notwithstanding any provision of this section to the contrary, it is lawful for an individual other than an owner 7 or promoter of an amusement device to operate an amusement 6 8 device, whether or not the amusement device is owned, 9 possessed or offered for use in compliance with this section. 6 10

The use of an amusement device which complies with this section shall not be deemed gambling.

Sec. 3. Section 99B.10A, subsection 1, Code 2007, is 6 13 amended to read as follows:

6 14 1. A person engaged in business in this state as a 6 15 manufacturer, manufacturer's representative, distributor, or 6 16 for=profit owner of electrical and mechanical amusement 6 17 devices required to be registered as provided in section 6 18 99B.10, subsection 4 1, paragraph "e", shall register with the 6 19 department. Each person who registers with the department 6 20 under this section shall pay an annual registration fee in an 6 21 amount as provided in subsection 2. Registration shall be 6 22 submitted on application forms designated by the department 23 that shall contain the information required by the department 6 24 by rule, including provisions requiring a federal bureau of 25 investigation fingerprint=based criminal background check of

26 each applicant by the division of criminal investigation of 27 the department of public safety, the cost of which shall be 6 28 paid for by the applicant. The department shall adopt rules

6 29 establishing the criteria for approval or denial of a

6 30 registration application and providing for the submission of 6 31 information to the department by a person registered pursuant 6 32 to this section if information in the initial registration is 33 changed, including discontinuing the business in this state. 34 Sec. 4. Section 99B.10A, subsection 2, paragraph c, Code

35 2007, is amended to read as follows:

1 c. For an owner of no more than two electrical and 2 mechanical amusement devices registered as provided in section 3 99B.10, subsection 4 1, paragraph "e", at a single location or 4 premises that is not an organization that meets the

5 requirements of section 99B.7, subsection 1, paragraph "m", two thousand five hundred dollars. Sec. 5. Section 99B.10B, subsection 1, Code 2007, is amended by striking the subsection and inserting in lieu 8 thereof the following: 7 10 1. a. The department may deny, suspend, or revoke a 11 registration issued pursuant to section 99B.10 or 99B.10A, if 12 the department finds that an applicant, registrant, or an 7 13 agent of a registrant violated or permitted a violation of a 14 provision of section 99B.10, 99B.10A, or 99B.10C, or a 7 15 departmental rule adopted pursuant to chapter 17A, or for any 7 16 other cause for which the director of the department would be 7 17 or would have been justified in refusing to issue a 7 18 registration, or upon the conviction of a person of a 7 19 violation of this chapter or a rule adopted under this chapter 7 20 which occurred on the premises where the registered amusement 21 device is or is to be located. However, the denial, 22 suspension, or revocation of a registration for one amusement 7 23 device does not require, but may result in, the denial, 24 suspension, or revocation of the registration for a different 25 amusement device held by the same distributor or owner. 26 b. If a person owning or employed by an establishment 7 26 27 having a class "A", class "B", class "C", or class "D" liquor 28 control license or having a class "B" or class "C" beer permit 29 issued pursuant to chapter 123 violates a provision of section 7 30 99B.10, 99B.10A, or 99B.10C, or a departmental rule adopted 31 pursuant to chapter 17A, the department may restrict the 32 number of amusement devices required to be registered as 33 provided in section 99B.10, subsection 1, paragraph "e", that 7 34 are permitted in the establishment for a period of up to two 7 35 years. 8 Sec. 6. Section 99B.10B, subsection 2, Code 2007, is 8 amended to read as follows: 3 2. <u>a.</u> The department shall revoke a registration issued 4 pursuant to section 99B.10 or 99B.10A, for a period of ten 8 8 5 years following at least ten days' written notice and 8 8 opportunity for an evidentiary hearing, if a person awards 8 7 commits an offense of awarding a cash prize in violation of 8 section 99B.10, subsection 1, paragraph "a", pursuant to rules 8 9 adopted by the department. A person whose registration is 8 10 revoked under this subsection who is a person for which a 8 11 class "A", class "B", class "C", or class "D" liquor control 8 12 license has been issued pursuant to chapter 123 shall have the 8 13 person's liquor control license suspended for a period of 8 14 fourteen days in the same manner as provided in section 8 15 123.50, subsection 3, paragraph "a". In addition, a A person 8 16 whose registration is revoked under this subsection who is a 8 17 person for which only a class "B" or class "C" beer permit has 8 18 been issued pursuant to chapter 123 shall have the person's 8 19 class "B" or class "C" beer permit suspended and that person's 8 20 sales tax permit suspended for a period of fourteen days in 8 21 the same manner as provided in section 123.50, subsection 3, 8 22 paragraph "a". 8 23 b. If a person owning or employed by an establishment 24 having a class "A", class "B", class "C", or class "D" liquor 25 control license issued pursuant to chapter 123 commits an 8 8 26 offense of awarding a cash prize in violation of section 27 99B.10, subsection 1, paragraph "a", pursuant to rules adopted 28 by the department, the liquor control license of the 8 29 establishment shall be suspended for a period of fourteen days 30 in the same manner as provided in section 123.50, subsection 31 3, paragraph "a". If a person owning or employed by an 32 establishment having a class "B" or class "C" beer permit 33 issued pursuant to chapter 123 awards a cash prize in 34 violation of section 99B.10, subsection 1, paragraph 35 pursuant to rules adopted by the department, the beer permit 1 of the establishment and the establishment's sales tax permit 2 shall be suspended for a period of fourteen days in the same 3 manner as provided in section 123.50, subsection 3, paragraph 9 9 Sec. 7. Section 99B.10B, Code 2007, is amended by adding 9 the following new subsection: NEW SUBSECTION. 3. a. The process for denial, suspension, or revocation of a registration issued pursuant to 9 9 9 section 99B.10 or 99B.10A, shall commence by delivering to the 9 10 applicant or registrant by certified mail, return receipt 11 requested, or by personal service a notice setting forth the

9 10 applicant or registrant by certified mail, return receipt
9 11 requested, or by personal service a notice setting forth the
9 12 proposed action and the particular reasons for such action.
9 13 b. (1) If a written request for a hearing is not received
9 14 within thirty days after the mailing or service of the notice,
9 15 the denial, suspension, or revocation of a registrant shall

9 16 become effective pending a final determination by the 9 17 department. The proposed action in the notice may be 9 18 affirmed, modified, or set aside by the department in a 9 19 written decision.

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(2) If a request for a hearing is timely received by the 9 21 department, the applicant or registrant shall be given an 22 opportunity for a prompt and fair hearing before the 23 department and the denial, suspension, or revocation shall be 24 deemed suspended until the department makes a final 25 determination. However, the director of the department may 26 suspend a registration prior to a hearing if the director 27 finds that the public integrity of the registered activity is 28 compromised or there is a risk to public health, safety, or 29 welfare. In addition, at any time during or prior to the 30 hearing, the department may rescind the notice of the denial, 31 suspension, or revocation upon being satisfied that the 32 reasons for the denial, suspension, or revocation have been or 33 will be removed. On the basis of any such hearing, the 34 proposed action in the notice may be affirmed, modified, or 35 set aside by the department in a written decision. The procedure governing hearings authorized by this paragraph shall be in accordance with the rules promulgated by the department and chapter 17A.

c. A copy of the final decision of the department shall be sent by certified mail, return receipt requested, or served personally upon the applicant or registrant. The applicant or registrant may seek judicial review in accordance with the terms of the Iowa administrative procedure Act, chapter 17A.

d. If the department finds cause for denial of a 10 10 registration issued pursuant to section 99B.10 or 99B.10A, the 10 11 applicant shall not reapply for the same registration for a 10 12 period of two years. If the department finds cause for a 10 13 suspension or revocation, the registration shall be suspended 10 14 or revoked for a period not to exceed two years.
10 15 Sec. 8. Section 99B.10C, subsections 2 and 3, Code 2007,

10 16 are amended to read as follows:

2. A person owning or leasing an electrical and mechanical 10 18 amusement device, or an employee of a person owning or leasing 19 an electrical and mechanical amusement device, who knowingly 10 20 allows a person under the age of twenty=one years to 10 21 participate in the operation of an electrical and mechanical 10 22 amusement device, or a person who knowingly participates in 10 23 the operation of an electrical and mechanical amusement 10 24 device, with a person under the age of twenty=one years, is

10 25 guilty of a simple misdemeanor.
10 26 3. For purposes of this section, an electrical and 10 27 mechanical amusement device means an electrical and mechanical 10 28 amusement device required to be registered as provided in 10 29 section 99B.10, subsection 4 1, paragraph

Sec. 9. Section 805.8C, subsection 4, Code 2007, is 10 31 amended to read as follows:

4. ELECTRICAL AND MECHANICAL AMUSEMENT DEVICE VIOLATIONS. a. For violations of legal age for operating an electrical 10 34 and mechanical amusement device required to be registered as 10 35 provided in section 99B.10, subsection 4 1, paragraph "e", 11 1 pursuant to section 99B.10C, subsection 1, the scheduled fine 2 is two hundred fifty dollars. Failure to pay the fine by a 3 person under the age of eighteen shall not result in the

b. For first offense violations concerning electrical and mechanical amusement devices as provided in section 99B.10, subsection 3, the scheduled fine is two hundred fifty dollars. EXPLANATION

This bill makes changes concerning electrical and 10 mechanical amusement devices authorized pursuant to Code 11 11 chapter 99B.

4 person being detained in a secure facility.

Code section 99B.10, concerning electrical and mechanical 11 13 amusement devices, is amended by adding several new 11 14 requirements for authorization to offer electrical and 11 15 mechanical amusement devices to any person. The bill provides 11 16 that an amusement device that is required to be registered shall not be placed into operation without a new registration 11 18 tag if the device has been altered in a way that changes the 11 19 operational characteristics of the amusement device. In 20 addition, the bill provides that an amusement device shall not 11 21 be operated with an expired registration tag and shall not be 11 22 relocated to any location other than the location at which the

11 23 device is registered. Code section 99B.10 is also amended relative to the 11 24 11 25 penalties applicable for violations of certain requirements 11 26 applicable to electrical and mechanical amusement devices.

11 27 The bill provides that a violation concerning awarding a cash 11 28 prize is a serious misdemeanor. The bill provides that a 11 29 first violation of other applicable requirements is a simple 11 30 misdemeanor punishable as a scheduled violation and that a 11 31 second or subsequent violation of the same requirement is a 11 32 serious misdemeanor. The violations subject to these 11 33 penalties are violations concerning operating an altered 11 34 device without a new or revised registration tag, failing to 35 display a registration tag, operating a device with an expired 1 registration, advertising of the device as anything other than 2 an electrical and mechanical amusement device, relocating a 12 12 12 3 device to an unauthorized location, redeeming awards off the 12 4 premises or for merchandise the location does not usually 12 sell, and failing to include a security mechanism on devices 12 6 required to be registered. The bill provides that the scheduled fine for a first offense is \$250. Code section 99B.10A, is amended. The bill provides that 12 12 12 9 manufacturers, distributors, and owners of electrical and 12 10 mechanical amusement devices shall include in their 12 11 registration application a federal bureau of investigation 12 12 fingerprint=based background check of the applicant to be paid 12 13 for by the applicant. 12 14 Code section 99B.10B, concerning administrative penalties 12 15 relative to the electrical and mechanical amusement device 12 16 registration, is amended. 12 17

The bill provides that the department of inspections and 12 18 appeals has the ability to deny or suspend the registration 12 19 for an electrical or mechanical amusement device in addition 12 20 to the current ability to revoke the registration for 12 21 violations of Code sections 99B.10 or 99B.10A, rules adopted 12 22 by the department, or for any other cause that the director of 12 23 the department would justify such action. The bill also 12 24 provides that if a person owning or employed by an 12 25 establishment with a liquor control license violates a 12 26 provision of law relative to amusement devices or a department 12 27 rule, the department may restrict the number of registered 12 28 amusement devices in the establishment for up to two years.

12 29 The bill provides that if a person owning or employed by an 12 30 establishment with a class "A", "B", "C", or "D" liquor 12 31 control license commits an offense of awarding a cash prize, 12 32 the liquor control license shall be suspended for a period of 12 33 14 days. In addition, the bill provides that if a person 12 34 owning or employed by an establishment having a class "B" or 12 35 "C" beer permit commits an offense of awarding a cash prize, the beer permit and sales tax permit of the establishment shall be suspended for a period of 14 days.

The bill also adds a new provision concerning the process the department must follow to take action to deny, revoke, or 5 suspend a registration issued pursuant to Code section 99B.10 6 or 99B.10A. The bill requires that the process shall start with delivery to the applicant or registrant by certified 8 mail, return receipt requested, or by personal service, a 9 notice setting forth the proposed action and the reasons for 13 10 the action. If a written request for hearing is not received 13 11 within 30 days, the intended denial, suspension, or revocation 13 12 shall become effective pending a final determination by the 13 13 department. If a request for hearing is timely received, a 13 14 hearing shall be held subject to the requirements of Code 13 15 chapter 17A and rules promulgated by the department and any 13 16 adverse action shall be suspended pending a final 13 17 determination. However, the bill provides that the director 13 18 of the department may still suspend a registration prior to 13 19 hearing if there is a risk to public health, safety, or 13 20 welfare. The bill further provides that a copy of the final 13 21 decision shall be sent by certified mail or served personally 13 22 upon the applicant or registrant who may seek judicial review 13 23 pursuant to Code chapter 17A. The bill provides that if a 13 24 registration is denied, the applicant shall not be able to 13 25 reapply for the same registration for two years. In addition, 13 26 if the department suspends or revokes a registration, the 13 27 suspension or revocation shall be for a period not to exceed 13 28 two years.

Code section 99B.10C, concerning operation of registered 13 29 13 30 electrical and mechanical amusement devices by persons under 13 31 21, is amended to provide that an employee, in addition to the 13 32 owner or lessee of a registered device, who knowingly allows a 13 33 person under 21 to operate the device is guilty of a simple

13 34 misdemeanor.

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